

State of Alaska FY2006 Governor's Operating Budget

Department of Administration Alaska Oil and Gas Conservation Commission RDU/Component Budget Summary

RDU/Component: Alaska Oil and Gas Conservation Commission*(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)***Contribution to Department's Mission**

To protect the public interest in oil and gas resources and underground sources of drinking water.

Core Services

- Hold hearings and open meetings.
- Issue pooling rules and other conservation orders.
- Approve and monitor plans for reservoir development and enhanced oil recovery.
- Approve permits for initial drilling, redrilling, sidetracking, and remedial well operations. This includes the evaluation and approval of proposed designs for drilling fluids, well control, casing, cementing and well completion operations.
- Inspect drill rigs and wells to insure compliance with AOGCC regulations.
- Witness safety valve, mechanical integrity, and blowout preventer tests.
- Witness meter-proving, calibration, and oil quality tests.
- Enforce well spacing rules.
- Monitor production rates, injection well patterns, gas/oil/water ratios, and pressure maintenance efforts.
- Monitor and evaluate gas flaring.
- Collect and maintain all statewide oil and gas production records.
- Collect and maintain all well history files and well log records.
- Administer Alaska's Underground Injection Control (UIC) program and the annular waste disposal program.
- Conduct public outreach.

End Results	Strategies to Achieve Results
A: Prevent physical waste and insure efficient recovery of oil and gas resources within the State of Alaska.	<p>A1: Inspect well drilling and well control equipment to ensure wells are drilled and operated using best engineering practices and in compliance with approved regulations and procedures.</p> <p><u>Target #1:</u> For all wells: AOGCC will witness as least 20% of diverter tests, at least 15% of blowout prevention equipment (BOPE) tests, and at least 40% of all safety valve systems (SVS) tests. <u>Measure #1:</u> % of tests witnessed and % of components that passed.</p> <p>A2: Ensure minimal gas waste due to unnecessary flaring and venting from producing oil and gas wells.</p> <p><u>Target #1:</u> Less than 0.5 % loss of total gas production through flaring and venting. <u>Measure #1:</u> % of total gas production flared or vented and number of incidents evaluated.</p> <p>A3: Expediently adjudicate applications for drilling permits and sundry well work to ensure that wells are designed, positioned, drilled, constructed, maintained and operated in compliance with approved regulations, orders and procedures.</p> <p><u>Target #1:</u> Adjudicate all permit applications in less than</p>

	<p>10 working days.</p> <p><u>Measure #1:</u> Number of Drilling Permit and Sundry applications received, number adjudicated, average adjudication time.</p> <p>A4: Work with industry and the public to ensure that oil and gas development plans result in maximization of recoverable reserves.</p> <p><u>Target #1:</u> Approve and monitor development and depletion plans for 20% of all Alaska oil and gas pools per quarter. Supply 100% of non-confidential AOGCC information to the public and other government agencies upon request.</p> <p><u>Measure #1:</u> 1. Number AOGCC oil & gas pool studies conducted. 2. Number of orders issued or modified. 3. Percent of oil and gas pools evaluated. 4. Number of administrative actions issued. 5. Information requests received and completed.</p>
End Results	Strategies to Achieve Results
B: Protect Alaska's underground fresh water.	<p>B1: Administer Alaska's Underground Injection Control (UIC) program and the annular waste disposal program.</p> <p><u>Target #1:</u> Witness at least 50% of all mechanical integrity tests (MIT's) performed on existing class II wells and 100% of MIT's performed on new injection wells. Target pass rate is 90%.</p> <p><u>Measure #1:</u> % of total mechanical integrity tests witnessed on a well basis and % components that passed.</p> <p><u>Target #2:</u> Zero incidents that result in contamination of sub-surface water due to oil and gas activities.</p> <p><u>Measure #2:</u> Number of incidents resulting in contamination.</p>

FY2006 Resources Allocated to Achieve Results

FY2006 Component Budget: \$4,359,500	Personnel:	
	Full time	25
	Part time	1
	Total	26

Performance Measure Detail

A: Result - Prevent physical waste and insure efficient recovery of oil and gas resources within the State of Alaska.

A1: Strategy - Inspect well drilling and well control equipment to ensure wells are drilled and operated using best engineering practices and in compliance with approved regulations and procedures.

Target #1: For all wells: AOGCC will witness as least 20% of diverter tests, at least 15% of blowout prevention equipment (BOPE) tests, and at least 40% of all safety valve systems (SVS) tests.

Measure #1: % of tests witnessed and % of components that passed.

Analysis of results and challenges: .

Diverter Tests:

07/01/03–09/30/03: Total wells tested – 16; 19% witnessed by AOGCC, and 99.6% of diverter components passed.

10/01/03–12/31/03: Total wells tested – 14; 29% witnessed by AOGCC, and 100% of diverter components passed.

01/01/04–03/31/04: Total wells tested – 25; 44% witnessed by AOGCC, and 92% of diverter components passed.

04/01/04–06/30/04: Total wells tested – 12; 0% witnessed by AOGCC, and 100% of diverter components passed.

07/01/04–09/30/04: Total wells tested – 17; 6% witnessed by AOGCC, and 99.4% of diverter components passed.

BOPE Tests:

07/01/03–09/30/03: Total BOPE tests – 128; 17% witnessed by AOGCC, and 99.2% of BOPE components passed.

10/01/03–12/31/03: Total BOPE tests – 172; 13% witnessed by AOGCC, and 98.6% of BOPE components passed.

01/01/04–03/31/04: Total BOPE tests – 132; 16% witnessed by AOGCC, and 96.8% of BOPE components passed.

04/01/04–06/30/04: Total BOPE tests – 132; 17% witnessed by AOGCC, and 98.8% of BOPE components passed.

07/01/04–09/30/04: Total BOPE tests – 123; 20% witnessed by AOGCC, and 98.2% of BOPE components passed.

SVS Tests:

07/01/03–09/30/03: Total SVS tests – 1033; 46% witnessed by AOGCC, and 97.1% of SVS components passed.

10/01/03–12/31/03: Total SVS tests – 1018; 56% witnessed by AOGCC, and 96.1% of SVS components passed.

01/01/04–03/31/04: Total SVS tests – 946; 45% witnessed by AOGCC, and 93.9% of SVS components passed.

04/01/04–06/30/04: Total SVS tests – 1243; 53% witnessed by AOGCC, and 96.5% of SVS components passed.

07/01/04–09/30/04: Total SVS tests – 966; 53% witnessed by AOGCC, and 96.7% of SVS components passed.

A2: Strategy - Ensure minimal gas waste due to unnecessary flaring and venting from producing oil and gas wells.

Target #1: Less than 0.5 % loss of total gas production through flaring and venting.

Measure #1: % of total gas production flared or vented and number of incidents evaluated.

Analysis of results and challenges: .

07/01/03–09/30/03: 1,601,475 MCFG out of 840,803,114 MCFG, lost (0.19%) in 133 incidents

10/01/03–12/31/03: 1,551,608 MCFG out of 949,702,775 MCFG, lost (0.16%) in 122 incidents

01/01/04–03/31/04: 1,618,159 MCFG out of 989,310,152 MCFG, lost (0.16%) in 123 incidents

04/01/04–06/30/04: 1,541,894 MCFG out of 903,768,215 MCFG, lost (0.17%) in 124 incidents

07/01/04–09/30/04: 1,849,635 MCFG out of 797,259,286 MCFG, lost (0.24%) in 228 incidents

A3: Strategy - Expediently adjudicate applications for drilling permits and sundry well work to ensure that wells are designed, positioned, drilled, constructed, maintained and operated in compliance with approved regulations, orders and procedures.

Target #1: Adjudicate all permit applications in less than 10 working days.

Measure #1: Number of Drilling Permit and Sundry applications received, number adjudicated, average adjudication time.

Analysis of results and challenges: .

7/1-9/30/03: Drilling Permit Applications – 46; Number adjudicated – 46; Average adjudication time – 5 workdays.

Sundry Applications – 116; Number adjudicated – 110; Average Adjudication time – 4 workdays.

10/1-12/31/03: Drilling Permit Applications – 62; Number adjudicated – 60; Average adjudication time – 7 workdays.

Sundry Applications – 99; Number adjudicated – 95; Average adjudication time – 4-1/2 workdays.

1/1 – 3/31/04: Drilling Permit Applications – 57; Number adjudicated – 57; Average adjudication time – 5-1/2 workdays.

Sundry Applications – 101; Number adjudicated – 93; Average adjudication time – 3-1/2 workdays.

4/1 – 6/30/04: Drilling Permit Applications – 68; Number adjudicated – 66; Average adjudication time – 6-1/2 workdays.

Sundry Applications– 150; Number adjudicated – 147; Average adjudication time – 3-1/2 workdays.

7/1 - 9/30/04:

Drilling Permits Applications: Received - 83; adjudicated - 68; average adjudication time - 5.5 workdays.

Sundry Applications: Received - 117; adjudicated - 105; average adjudication time - 3.5 workdays.

A4: Strategy - Work with industry and the public to ensure that oil and gas development plans result in maximization of recoverable reserves.

Target #1: Approve and monitor development and depletion plans for 20% of all Alaska oil and gas pools per quarter. Supply 100% of non-confidential AOGCC information to the public and other government agencies upon request.

Measure #1: 1. Number AOGCC oil & gas pool studies conducted.

2. Number of orders issued or modified.

3. Percent of oil and gas pools evaluated.

4. Number of administrative actions issued.

5. Information requests received and completed.

Analysis of results and challenges: .

04/01/04-6/30/04:

1. Oil & gas pool studies - 26

2. Orders issued or modified - 7

3. Oil & gas pools evaluated - 31%

4. Administrative actions issues - 9

5. Information requests received and completed - 375 (100%)

07/01/04-09/30/04:

1. Oil & gas pool studies - 47

2. Orders issued or modified - 16

3. Oil & gas pools evaluated - 60%
4. Administrative actions issues - 2
5. Information requests received and completed - 245 (100%)

B: Result - Protect Alaska's underground fresh water.

B1: Strategy - Administer Alaska's Underground Injection Control (UIC) program and the annular waste disposal program.

Target #1: Witness at least 50% of all mechanical integrity tests (MIT's) performed on existing class II wells and 100% of MIT's performed on new injection wells. Target pass rate is 90%.

Measure #1: % of total mechanical integrity tests witnessed on a well basis and % components that passed.

Analysis of results and challenges: .

07/01/03–09/30/03: Total wells Tested – 81; 86% of MIT's witnessed by AOGCC; 97.1% of components passed.

10/01/03–12/31/03: Total wells Tested – 65; 37% of MIT's witnessed by AOGCC; 87.7% of components passed.

01/01/04–03/31/04: Total wells Tested – 74; 58% of MIT's witnessed by AOGCC; 91.9% of components passed.

04/01/04–06/30/04: Total wells Tested – 151; 62% of MIT's witnessed by AOGCC; 92.8% of components passed.

07/01/04–09/30/04: Total wells Tested – 142; 85% of MIT's witnessed by AOGCC; 94.4% of components passed.

Target #2: Zero incidents that result in contamination of sub-surface water due to oil and gas activities.

Measure #2: Number of incidents resulting in contamination.

Analysis of results and challenges: .

07/01/03–09/30/03: Zero

10/01/03–12/31/03: Zero

01/01/04–03/31/04: Zero

04/01/04–06/30/04: Zero

07/01/04–09/30/04: Zero

Key Component Challenges

- Assist in expanded statewide exploration and development, including National Petroleum Reserve-Alaska (NPRA) and exploration licensing areas that are outside the historic producing areas of the North Slope and Cook Inlet.
- Evaluate and respond to the need for a revised regulatory scheme to safely oversee new development of coal bed methane and shallow gas resources.
- Continue to evaluate conservation issues associated with any large-scale gas off-take proposal for the Prudhoe Bay Field.
- Update and maintain the Commission's audit and compliance capability.
- Continue to develop electronic data storage and retrieval capability for improved information access, management and e-commerce.
- Maintain an active role to protect Alaska's Underground Injection Control (UIC) program.
- Evaluate and respond to changing conditions in mature oil fields to make certain operations are conducted in a safe and skillful manner in accordance with good oil field engineering practices while ensuring that recovery of oil and gas resources is maximized.

Significant Changes in Results to be Delivered in FY2006

- A rewrite of the AOGCC regulations (20 AAC 25) will be initiated to eliminate inconsistencies, update references, clarify intent.
- Rules in Commission orders will be standardized and consolidated when appropriate.
- Will initiate a formal investigation to determine the impacts of major gas sales upon ultimate hydrocarbon recovery from the Prudhoe and Pt. Thomson Reservoirs, and to define reservoir depletion plan requirements before a gas sales rate can be approved.
- Work with EPA and ADEC to establish functional requirements for wells involved in disposal injection service and possibly taking primacy for Class I wells. The effort will lead to minimizing duplication of industry reporting and compliance burdens through the development of clear guidance for what fluids can be disposed in a Class II well.
- Conduct a comprehensive review of all natural gas produced in Alaska and which is being flared, vented or otherwise not put to beneficial use.
- AOGCC is the chief repository for Alaska's subsurface oil and gas-related information. Our internal business processes rely heavily on this information. We intend to continue streamlining our internal handling of data, and to continue to improve public and industry access to non-confidential well and production data.
- Finalize and release AOGCC's Internet-based Well and Production Information System. Expand the capabilities of the system and work with other State departments to deliver more types of information. Develop enhancements for the system based on public demand. Provide user training and support.
- Continue to evaluate ways to increase the AOGCC's efficiency and reduce costs.

Major Component Accomplishments in 2004

- Continued to evaluate and issue approvals for a relatively large number of sub-surface oil and gas operations more quickly than pre-2003 applications.
- Continued to efficiently oversee the UIC program and to exercise a national voice regarding state management of underground injection and ground water protection.
- In cooperation with the Department of Natural Resources, continued to utilize a \$1.4 million grant from the U.S. Department of Energy to fund the "Alaska Oil and Gas Exploration, Development & Permitting Project," which will augment information technology systems, deliver publicly available subsurface information on-line, and provide a shared, web-enabled geographic information system (GIS) linking AOGCC, DNR, and DGC information/data. This will encourage additional exploration and development in Alaska.
- Finished converting a substantial portion of the AOGCC's public well history files and oil and gas information into digital form. This has streamlined our internal handling of data and is reshaping our business processes.
- Developed software and purchased and installed hardware for AOGCC's Well and Production Information System. This system consists of two Internet applications that allow our public data to be delivered anywhere in the world over the Internet. They will be available through the Commission's web page, and supported by a series of introductory videos and Frequently Asked Questions videos that allow a user to self-train, minimizing staff support time.
- Continued evaluation of the conservation issues (maximization of oil recovery) associated with the sale of Prudhoe Oil Pool gas. Completed initial audit of Prudhoe owners' reservoir studies concerning major gas sales and provided summary report to the legislature.
- Enacted rules regulating sustained casing pressures for 12 oil and gas fields.
- Participated in a multi-departmental project conducted by the State in the Matanuska-Susitna Borough to gather the concerns of the general public related to coal bed methane development on state oil and gas leases. The process included educating members of the public in the responsibilities and procedures of state government regulation of the coal bed methane industry.

- Conducted comprehensive study leading up to regulatory amendments to simplify requirements for testing of blowout prevention equipment.

Statutory and Regulatory Authority

AS 31.05 Alaska Oil and Gas Conservation Act
20 AAC 25 Alaska Oil and Gas Conservation Commission

Contact Information
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Alaska Oil and Gas Conservation Commission Component Financial Summary

All dollars shown in thousands

	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	2,464.0	2,686.6	2,871.0
72000 Travel	91.8	187.2	187.2
73000 Services	750.0	1,172.1	1,198.7
74000 Commodities	31.9	30.8	43.0
75000 Capital Outlay	18.3	59.6	59.6
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	3,356.0	4,136.3	4,359.5
Funding Sources:			
1002 Federal Receipts	119.9	126.0	202.7
1162 Alaska Oil & Gas Conservation Commission Rcpts	3,236.1	4,010.3	4,156.8
Funding Totals	3,356.0	4,136.3	4,359.5

Estimated Revenue Collections

Description	Master Revenue Account	FY2004 Actuals	FY2005 Manageme nt Plan	FY2006 Governor
<u>Unrestricted Revenues</u>				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
<u>Restricted Revenues</u>				
Federal Receipts	51010	119.9	126.0	202.7
Oil & Gas Conservation Commission Rcpts	51079	3,236.1	4,010.3	4,156.8
Restricted Total		3,356.0	4,136.3	4,359.5
Total Estimated Revenues		3,356.0	4,136.3	4,359.5

**Summary of Component Budget Changes
From FY2005 Management Plan to FY2006 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	0.0	126.0	4,010.3	4,136.3
Adjustments which will continue current level of service:				
-FY 05 Bargaining Unit Contract Terms: GGU	0.0	0.0	3.4	3.4
-2nd year FN for HB 531 Shallow Natural Gas	0.0	0.0	-15.0	-15.0
-FY06 Cost Increases for Bargaining Units and Non-Covered Employees	0.0	0.7	27.9	28.6
-Adjustments for Personal Services Working Reserve Rates and SBS	0.0	2.0	37.4	39.4
Proposed budget increases:				
-Increased Customer Service	0.0	0.0	39.0	39.0
-Geological Material Center Support	0.0	0.0	50.0	50.0
-Underground Injection Control (UIC) EPA Federal Grant Increase	0.0	74.0	0.0	74.0
-Benefit and Wage Cost Increases	0.0	0.0	3.8	3.8
FY2006 Governor	0.0	202.7	4,156.8	4,359.5

**Alaska Oil and Gas Conservation Commission
Personal Services Information**

Authorized Positions			Personal Services Costs	
	<u>FY2005</u> <u>Management</u> <u>Plan</u>	<u>FY2006</u> <u>Governor</u>		
Full-time	24	25	Annual Salaries	1,944,396
Part-time	1	1	COLA	4,049
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	869,167
			<i>Less 2.04% Vacancy Factor</i>	(57,412)
			Lump Sum Premium Pay	204,800
Totals	25	26	Total Personal Services	2,965,000

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk I	1	0	0	0	1
Administrative Clerk II	1	0	0	0	1
Administrative Clerk III	1	0	0	0	1
Administrative Manager II	1	0	0	0	1
Analyst/Programmer I	1	0	0	0	1
Analyst/Programmer IV	1	0	0	0	1
Commissioner, Oil and Gas Comm	3	0	0	0	3
Petroleum Engineer	2	0	0	0	2
Petroleum Geologist Asst	1	0	0	0	1
Petroleum Geologist I	1	0	0	0	1
Petroleum Inspector	6	0	0	0	6
Reservoir Engineer	1	0	0	0	1
Senior Petroleum Engineer	1	0	0	0	1
Senior Petroleum Geologist	1	0	0	0	1
Senior Petroleum Reservoir Eng	1	0	0	0	1
Special Staff Assistant	1	0	0	0	1
Statistical Technician II	2	0	0	0	2
Totals	26	0	0	0	26